

STATE BAR OF CALIFORNIA
General Accounting & Financial Reporting
Policies & Procedures
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THE STATE BAR OF CALIFORNIA
Office of Finance
General Accounting &
Financial Reporting
Policies and Procedures

I. POLICY STATEMENT

The State Bar's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The State Bar follows the "business-type" activities reporting requirements of GASB Statement No. 34, *Basis Financial Statements*. This General Accounting Policy sets forth the standardized policies and control procedures relating to the journal entries processing, bank reconciliation preparation, periodical financial close and financial reporting to assure the completeness, accuracy and validity of transactions to the State Bar's financial statements.

II. AUTHORITY AND RESPONSIBILITY

The Office of Finance has the authority and responsibility for preparing and processing all financial transactions, journal entries and month-end allocations and reports and verifies that the General Ledger has been updated correctly. The Office of Finance is also responsible for defining the requirements, establishing the standards and guidance, and enforcing the policies and control procedures to ensure the completeness, accuracy and validity of transactions to the State Bar's financial statements.

Department managers from each business unit are responsible for monitoring the account activities and reviewing the financial reports on a monthly basis. Journal Voucher Form prepared and submitted to Finance should be reviewed and approved by the department managers following the procedural guidelines below.

III. JOURNAL ENTRY PROCEDURAL GUIDELINES

1. A standard Journal Voucher Form (Form 5060) must be used to record, reverse, correct, adjust or reclassify accounting transactions. This procedure applies to all routine, non-routine, manual, and system-generated journal entries submitted to or prepared by Office of Finance.

2. The individual/department preparing a Journal Voucher to Office of Finance is responsible for documenting supporting details and assuring the entries are accurate prior to submission. The following information must be completed on the Journal Voucher Form:
 - a) Date
 - b) Page number
 - c) Cost Centers/General Ledger Account Codes
 - d) Amount
 - e) A clear and precise narrative, or basis of calculation on which the entry is made.
 - f) A cross-reference to a payment voucher, deposit date, invoice or batch number.
 - g) Both requestor's and approver's signatures.
3. All journal entries must be signed by both the preparer and appropriate approver from the business unit and department involved.
4. Any journal voucher that is incomplete, incorrect, has inappropriate approval, or insufficient information and supporting documentation, will be returned to preparer for correction.
5. If an electronic Journal Voucher Form is used, individual preparers are responsible for maintaining copy on their own files. The following filing process only applies to the paper Journal Voucher Form (in triplicate):
 - White Copy - white copies are submitted to Finance and filed into the JE batch
 - Yellow Copy - to Accounting Clerk for processing
 - Pink Copy - retained by preparer for his/her record
6. Department manager is responsible for reviewing all accounts on their operating statement to ensure that journal entries are accurately reflected in the financial reports.
7. Approved journal entries are recorded on a timely basis, generally in the same accounting period they are approved and received in Office of Finance.
8. All posted journal entries and related documentations are maintained in a ready accessible file in Office of Finance for review by senior management and external auditors.

IV. JOURNAL VOUCHER PROCESSING PROCEDURES

1. All Journal Vouchers submitted to Office of Finance (i.e. corrective entries, recurring month-end accrual and cost allocation entries, etc.) must be reviewed and approved by the Finance Manager/Director before being processed into the accounting system.

2. Any Journal Vouchers prepared by Office of Finance must be reviewed and approved by the Finance Manager/Director or the CFO prior to processing into the accounting system.
3. Upon approval, all Journal Vouchers, with supporting documents, will be forwarded to the Fiscal Service Specialist for batching and processing.
4. All processed Journal Voucher Forms are filed in JE batch in Finance Department.

V. BANK RECONCILIATION CONTROL PROCEDURES

1. Monthly reconciliations of all bank accounts are prepared by the Senior Financial Analyst (in Finance Department) who is independent from the staff responsible for cash receipt and check disbursement functions. Bank reconciliations are reviewed by the Finance Manager or CFO on
Purpose: Segregation of job duties reduces the ability of one employee to take cash and alter records to prevent detection.
2. Bank reconciliations include comparisons of dates and amounts deposited and disbursed, as shown on the bank statements, with documentation of cash receipts and check disbursement.
Purpose: To ensure that all cash receipts and check disbursements are complete and correctly reflected in the bank statement and the accounting records in a timely manner.
3. All bank reconciliations are reviewed and approved by the Finance Manager.
Purpose: This aids in verification that the reconciliations are properly completed, in a timely manner.
4. Unusual, disputed items, unidentified receipts, non-sufficient fund checks, and bank charge-backs are properly investigated and properly accounted for in a timely manner.
Purpose: To ensure all unusual items are properly handled, recorded and reconciled in the general ledger.
5. Whenever checks are voided, the signature section of the check is removed and/or the word “void” should be stamped or written across the face of the check in ink.
Purpose: To prevent alternate use of the checks.
6. Office of Finance retains original voided checks in a secured location for audit purposes.
Purpose: This maintains control over the voided checks to provide documentation of the void transaction.
7. Always make checks payable to specific payees, never to “cash”, “petty cash” or “bearer” (with exception for petty cash replenishment for Finance staff).
Purpose: Restricts a check’s negotiability and prevents payment to unauthorized individuals.

VI. MONTH-END AND YEAR-END CLOSE PROCEDURAL GUIDELINES

8. The financial year-end close procedure of the State Bar is conducted to finalize the financial results of one year and calculate the financial balances to be carried forward to the following year. The financial year for the State Bar is based on the calendar year, which is January 1st to December 31st.
9. The year-end close procedure is normally completed once a year during January. The procedure involves the following steps:
 - a) Close current year and activate new year.
 - b) Prepare all required journal entries according to the month-end and year-end close checklist.
 - c) Transfer the closing balances of the balance sheet in Period 14 to the opening balances of the new year. Opening actual balances are stored in Period 0 in the accounting system.
 - d) The year-end outstanding balance and the new year opening balances are stored in Period 1 in the accounting system.
10. It is vital that all financial transactions are completed in accordance with the Bar's year-end financial closing schedule prior to the closure of the ledgers. The schedule is distributed to all Bar staff usually in November prior to the calendar year-end.
11. Year-end adjustments including benefit costs allocation, indirect cost/interfund allocations and audit adjustments are available in the General Ledger referred to as Period 13, and Period 14. It is important to include Period 14 in the accounting period parameters to ensure all balances are included.
12. Year-end adjustment entries must be reviewed and approved by the Finance Manager/Director.
13. It is important that controls are in place for the year-end close procedures. Department managers from each business unit are responsible for monitoring the account activities and reviewing the financial reports on a regular basis. The Office of Finance is responsible for closing the ledgers, and conducting the integrity of checks on a regular basis.
14. The Senior Financial Analyst will prepare quarterly financial reports for the Board and the year-end financial statements. This will be accomplished by exporting data from Oracle, and compiling the reports through automated report writing tools. The reports will be compiled following the procedures in section VII below.
15. All financial reports (quarterly, annual, external and internal financial reports) are required to be reviewed and approved by the Chief Financial Officer and the Chief Operating Officer before releasing for Board presentation or legislative filing.

VII. FINANCIAL STATEMENT REPORTING & PREPARATION

This section is to provide an overview and procedures to prepare internal and external financial reporting. The State Bar's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The State Bar follows the "business-type" activities reporting requirements of GASB Statement No. 34, *Basis Financial Statements*. The Office of Finance is responsible for preparing, presenting and filing of all internal and external financial reports in accordance with the Bar's Board Book (Tab 17 – Fiscal Policy) and Business and Professions Code §6145 as discussed below:

A. Interim Financial Reporting for Board of Trustees/Planning & Budget Committee:

- Quarterly Financial Reports: including Financial Statement, Client Security Fund Report and Investment Report; including narrative or financial highlights to summarize the State Bar fiscal position, any challenges ahead and strategies for addressing issues.
- Quarterly Travel Expense Report (for BOT members and State Bar Senior Executives).
- Semi-Annual Forecast of receipts and expenditures by funds and variance report with explanation for the BOT (Re: Board Book, Tab 17, Article 1).

B. External Annual Financial Reporting:

- The State Bar's annual financial statement is prepared in accordance with the Generally Accepted Accounting Principles (GAAP).
- The annual financial statement is required to be audited and submitted to the BOT and the legislature in accordance with Business and Professions Code §6145 and 6031.5.

C. Procedures:

To ensure the accuracy, completeness and consistency of the financial reporting and presentation, Finance staff should follow the steps below when preparing the financial statements:

- Generate operating statements by fund from Oracle.
- Export trial balance for all object lines from Oracle to Excel financial statement report template.
- Roll-up revenue, expenditure and balance sheet line items and consolidate cost centers/department consistently with the annual budget document.
- Verify balances for accuracy and review statements for potential errors and pose questions for unusual items.
- Review all beginning and ending fund balances in the financial report agree with the operating statements from Oracle.
- Prepare and process adjusting journal entries for misstatement.
- Disclose and explain in the financial statements all significant changes in program costs, accounting policies, practices, cost allocation methodology and management assumption
- Include supplemental schedules: Fund Description, Statements of Revenue, Expenses and Changes in Net Position.